

Message Text

LIMITED OFFICIAL USE

PAGE 01 STATE 244670

12

ORIGIN TRSE-00

INFO OCT-01 EA-06 ISO-00 EB-04 AID-05 STR-01 COME-00 SP-02

NSC-05 RSC-01 CIEP-01 SS-15 OMB-01 CEA-01 CIAE-00

FRB-01 INR-05 NSAE-00 XMB-02 OPIC-03 LAB-01 SIL-01

AGR-05 IO-04 L-01 /066 R

TX-387

DRAFTED BY TREAS: OASIA TLEDDY

APPROVED BY EB/IFD/OMA:RJRYAN, JR.

EA/ANP:HLANGE

EB/OT/TA:WBARRACLOUGH

OASIA: FLWIDMAN

OFC OF TRADE POLICY: JRAY

STR: GFEKETEKUTY

TREASURY: SCROSS

----- 019717

R 062158Z NOV 74

FM SECSTATE WASHDC

TO AMEMBASSY CANBERRA

LIMITED OFFICIAL USE STATE 244670

E.O. 11652: N/A

TAGS:ETRD

SUBJECT: IMF TRADE DECLARATION

REF: A: STATE 229673

B: CANBERRA 6936

LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 02 STATE 244670

1. AUSTRALIAN COMMENTS REPORTED REFTTEL ARE GENERALLY CONSISTENT WITH THEIR STATEMENTS IN COURSE OF C-20 DISCUSSIONS ON DECLARATION. AUSTRALIA, OF COURSE, CONCURRED IN C-20

AND IMF EXECUTIVE BOARD AGREEMENTS TO CIRCULATE THE DECLARATION FOR VOLUNTARY SUBSCRIPTION, BUT AUSTRALIA DID NOT COMMIT ITSELF TO SUBSCRIBE. DURING DISCUSSIONS IN C-20 DEPUTIES, AUSTRALIAN DEPUTY (WHITELAW) EXPRESSED CONCERNS ABOUT THE COVERAGE OF THE DECLARATION AND IN PARTICULAR ABOUT THE COVERAGE OF EXPORT MEASURES (E.G., SUBSIDIES); ABOUT THE DETERMINATION OF WHETHER A MEASURE WAS IMPOSED FOR BALANCE OF PAYMENTS PURPOSES; ABOUT THE WORKABILITY OF A PRIOR APPROVAL REQUIREMENT; AND ABOUT THE PROPER JURISDICTION OF THE FUND. WHITELAW MADE CLEAR THAT GOA WOULD HAVE TO BE SATISFIED ON SUCH "TECHNICAL" POINTS BEFORE IT COULD CONSIDER ADHERENCE TO DECLARATION. OUR RECORDS INDICATE TREASURER CREAN DID NOT SPEAK ON SUBJECT DURING MINISTERIAL DEBATE. YOU MAY WISH POINT OUT THAT ALTHOUGH CANADA EXPRESSED SOME OF THE SAME CONCERNS AS DID AUSTRALIA,

CANADIANS HAVE FORMALLY SUBSCRIBED, WHICH SHOULD BE OF SOME REASSURANCE TO AUSTRALIANS.

2. REGARDING AUSTRALIAN CONCERNS OVER PRIOR APPROVAL, EMBASSY SHOULD POINT OUT DECLARATION WAS CHANGED SIGNIFICANTLY FROM ORIGINAL PROPOSAL FOR ABSOLUTE REQUIREMENT OF PRIOR IMF APPROVAL TO PROVIDE THAT IF CIRCUMSTANCES

PRECLUDE THE FUND FROM MAKING A PROMPT PRIOR DETERMINATION, COUNTRY MAY NEVERTHELESS IMPOSE MEASURES BUT WILL WITHDRAW THEM WITHIN SUCH PERIOD AS MAY BE FIXED BY THE FUND IN CONSULTATION WITH THE COUNTRY CONCERNED. THIS PROVISION WAS INCLUDED EXPRESSLY TO MEET CONCERNS SUCH AS AUSTRALIA'S ABOUT THE PRACTICALITY OF A PRIOR APPROVAL REQUIREMENT, DESPITE THE FACT THAT SUCH A REQUIREMENT ALREADY APPLIES TO RESTRICTIONS ON CURRENT PAYMENTS UNDER ARTICLE VIII SECTION 2 (A). (AS NOTED IN IMF PAPER ON PROCEDURES FOR IMPLEMENTATION OF TRADE DECLARATION, THE DISTINCTION BETWEEN A RESTRICTION ON A TRADE TRANSACTION AND A RESTRICTION ON A PAYMENT IS TECHNICAL. THE ECONOMIC EFFECT OF BOTH TYPES OF RESTRICTION MAY BE THE SAME, AND, IN PRACTICE, THE DISTINCTION LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 03 STATE 244670

HAS SOMETIMES BEEN DIFFICULT TO APPLY.) PRIOR NOTIFICATION AND CONSULTATION WITH THE FUND WOULD BE EXPECTED IN ALL CASES. WE SEE NO BASIS FOR OBJECTION TO SUCH PRIOR NOTIFICATION AND CONSULTATION, AND WE DO NOT BELIEVE AUSTRALIA OBJECTED TO PRIOR CONSULTATION, AS DISTINCT FROM IMF APPROVAL.

3. WITH RESPECT TO OTHER POINTS, WE UNDERSTAND AUSTRALIA CONSIDERS THE DRAFT DECISION -- WHICH STATES THAT "THE PRINCIPLES AND PROCEDURES SUMMARIZED IN (STAFF

PAPER ON PROCEDURES) SHALL BE FOLLOWED IN THE APPLICATION OF THE DECLARATION. . ." AS TOO RIGID, AND WOULD PREFER SOME LOOSER LANGUAGE, SUCH AS REFERENCE TO GUIDELINES RATHER THAN PRINCIPLES. WE WOULD NOT OBJECT TO SUCH A CHANGE, WHICH WE DO NOT BELIEVE IS IMPORTANT IN SUBSTANCE, IF OTHERS INSIST: THE COVERAGE OF MEASURES MENTIONED IN THE STAFF PAPER IS NOT LIMITING IN ANY CASE; THE METHODS OF MAKING IMF FINDINGS SUGGESTED IN THE STAFF PAPER ARE ALREADY PRESENTED AS GUIDELINES; AND THE DETAILED PROCEDURES APPLY ALMOST EXCLUSIVELY TO INTERNAL STEPS BY THE FUND AND NOT MEMBERS. THE ONLY REQUIREMENT OF MEMBERS IN THIS SECTION IS THAT OF CONSULTATION WITH THE FUND, WHICH IS ALREADY IMPLICIT IN TEXT OF DECLARATION.

4. WE ALSO UNDERSTAND AUSTRALIA IS CONCERNED THAT A SENTENCE IN THE PAPER TO THE EFFECT THAT ALL CURRENT ACCOUNT MEASURES, REGARDLESS OF INTENT, MAY HAVE A BALANCE OF

PAYMENTS IMPACT, MAY BE USED TO STRETCH DECLARATION TO COVER EACH AND EVERY MEASURE REGARDLESS OF INTENT. THIS SEEMS TO US AN EXTREME INTERPRETATION AND IS CERTAINLY NOT THE PURPOSE OF THE DECLARATION. QUESTION DOES REMAIN, HOWEVER, WHETHER MEMBERS SHOULD HAVE EXCLUSIVE RIGHT TO DEFINE INTENT FOR PURPOSES OF THE DECLARATION. WHILE WE BELIEVE PREPONDERANT WEIGHT SHOULD BE GIVEN TO MEMBERS' REPRESENTATIONS ON PURPOSE OF MEASURES, WE CAN IMAGINE CIRCUMSTANCES -- E.G., ON ACROSS-THE-BOARD IMPORT SURCHARGE IMPOSED FOR THE ALLEGED "PURPOSE" OF PROTECTING ONE INDUSTRY FROM AN INCREASE IN FOREIGN COMPETITION -- IN WHICH THE FUND COULD NOT REASONABLY ACCEPT THE MEMBER'S REPRESENTATION.

LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 04 STATE 244670

5. AS NOTED IN IMF PAPER SUGGESTED APPROACH TO GATT PARTICIPATION IN PROCEDURES FOR IMPLEMENTING IMF DECLARATION HAVE BEEN DISCUSSED IN A PRELIMINARY WAY WITH GATT D.G. AND FURTHER UNDERSTANDINGS NEED TO BE WORKED OUT. WE ARE CONFIDENT THAT ARRANGEMENTS CAN BE MADE WHICH ARE SATISFACTORY AND WOULD MEET AUSTRALIAN POINT THAT GATT D.G. SHOULD NOT HAVE POWER TO BIND GATT CP'S EXCEPT UNDERPROCEDURE ESTABLISHED BY THE CP'S THEMSELVES.

6. WE CONTINUE TO BELIEVE THAT FAILURE OF INDUSTRIAL COUNTRY SUCH AS AUSTRALIA TO SUBSCRIBE TO THE TRADE DECLARATION COULD SERIOUSLY UNDERMINE ITS EFFECTIVENESS AS A RESTRAINING INFLUENCE ON THE PRESSURES FOR COUNTRIES TO TAKE PROTECTIONIST MEASURES THAT COULD IN PRESENT SITUATION DANGEROUSLY ESCALATE TO THE DETRIMENT OF ALL. AUSTRALIA BENEFITS GREATLY FROM LIBERALIZED WORLD TRADE AND

PAYMENTS SYSTEM AND IS IMPORTANT ENOUGH IN WORLD TRADE THAT ITS UNWILLINGNESS TO COMMIT ITSELF TO COOPERATIVE PLEDGE OF THIS NATURE CAN INFLUENCE OTHER NATIONS AND CONCEIVABLY MEAN DIFFERENCE BETWEEN SUCCESS OR FAILURE OF PLEDGE, AND INCREASE IN RISK THAT LIBERAL SYSTEM WILL DISINTEGRATE. IT WOULD BE ESPECIALLY REGRETTABLE IF AUSTRALIA'S REFUSAL TO PARTICIPATE IN THIS INTERNATIONAL COOPERATIVE ACTION WERE A PRECURSOR OF ITS IMPOSITION OF SUCH MEASURES. IMF EXECUTIVE DIRECTORS ARE STILL CONSIDERING PROPOSED PROCEDURES, AND AUSTRALIA WILL HAVE AMPLE OPPORTUNITY TO RAISE QUESTIONS IN THE BOARD AND SEEK TO OBTAIN A MORE SATISFACTORY FINAL DOCUMENT ON PROCEDURES. BUT WE BELIEVE THE BASIC POINT OF THE EXERCISE IS CONTAINED IN THE LANGUAGE OF THE DECLARATION ITSELF. INGERSOLL

LIMITED OFFICIAL USE

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: TRADE LAW, MARKETS, BALANCE OF PAYMENTS DEFICITS, LOANS, GOVERNMENT REACTIONS
Control Number: n/a
Copy: SINGLE
Draft Date: 06 NOV 1974
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: KelleyW0
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1974STATE244670
Document Source: CORE
Document Unique ID: 00
Drafter: OASIA TLEDDY
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D740320-0390
From: STATE
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1974/newtext/t19741165/aaaacdde.tel
Line Count: 183
Locator: TEXT ON-LINE, ON MICROFILM
Office: ORIGIN TRSE
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 4
Previous Channel Indicators:
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: A: STATE 229673
Review Action: RELEASED, APPROVED
Review Authority: KelleyW0
Review Comment: n/a
Review Content Flags:
Review Date: 09 JUL 2002
Review Event:
Review Exemptions: n/a
Review History: RELEASED <09 JUL 2002 by shawdg>; APPROVED <27 MAR 2003 by KelleyW0>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: IMF TRADE DECLARATION
TAGS: ETRD, AS, IMF
To: CANBERRA
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005